



## State Revenue Estimating Conference Reduces Tax Collections

The Revenue Estimating Conference (REC) met today to review and revise the State General Fund revenue estimates for Fiscal Year 2009 and Fiscal Year 2010. The REC projected another significant drop in state tax collections.

The REC estimated the state will collect \$130 million less in the current fiscal year and \$270 million less in Fiscal Year 2010. This means the State of Iowa now faces a budget gap of nearly one billion dollars.

Over the past two years, state spending has increased by close to a billion dollars. If the Democratic-led Legislature and the Governor had made responsible spending decisions, the State of Iowa would likely have been better able to weather the current economic crisis.

The REC predicts the growth in revenues received by the State. Iowa law requires both the Governor and the Legislature to base all of their budgeting decisions on the predictions the REC makes in December. This allows all parties to begin budgeting on the same level in January when the Legislature convenes. However, if the REC estimate in the Spring is lower than the estimate made in December, the Governor is required to submit a revised budget using the lower figure.

Earlier this month, the non-partisan Fiscal Services Division released a report of the tax revenues collected in February of this year, which illustrates how the economic slowdown is affecting tax dollars collected by state government. For the month of February, net tax receipts totaled \$531.7 million, which was a decrease of \$39.6 million (or negative 6.9%) compared to February 2008. The Iowa Individual Income Tax receipts were a negative \$8.6 million or 4.9% decrease. Iowa Corporate Income Tax receipts saw a decrease of \$26.2 million, and Iowa Sales and Use Tax receipts were down \$4.6 million.

Reduced tax revenue due to the difficult economic situation is the main factor for the REC meeting today. This committee meets quarterly, typically in July, October, December, and April.

The current membership of the REC is Charles Krogmeier, Chief of Staff to Governor Culver and Director of the Department of Management; Holly Lyons, Director, Fiscal Services Division of the Legislative Fiscal Agency; and David Underwood, retired CFO and Treasurer, AADG, Inc. in Mason City, Iowa.

It is important state lawmakers do not increase taxes on Iowans now. Iowans for Tax Relief will continue to OPPOSE legislation which would increase your tax burden.

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## Legislation to Allow Local Governments to Impose New Taxes Introduced

Senate Ways and Means Committee Chair, Sen. Joe Bolkcom (D-Iowa City) introduced Senate Study Bill 1308. This bill would allow local governments to impose city franchise fees, a new entertainment tax, a local income tax, an additional hotel/motel tax, and a local cigarette tax through voter approval.

- Franchise Fee: Cities would be allowed to assess an additional 3% franchise fee.
- Entertainment Tax: A tax of up to 5% on the sale of entertainment tickets, and the sale of food, alcoholic liquor, wine, and beer sold at retail food and liquor establishments.
- Local Income Tax: A surtax of up to 5% of state income tax.
- Hotel/Motel Tax: An additional 6% tax on hotel and motel stays.
- Local Cigarette Tax: The rate of this additional tax is not limited.

If a local government enacts any of these taxes, the bill requires the revenue to be split by putting 75% of the new money to property tax relief and 25% of the new money to core government functions.

Property tax reform can't be about more of your hard-earned money going to government. Property tax reform needs to be about creating an environment for Iowa businesses and families to grow and invest in Iowa.

Iowans for Tax Relief will continue to fight for reduced government spending and lower taxes for all Iowans.

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## Property Tax Increases Ahead

While the Senate introduced legislation to shift property taxes to another tax, the House Ways and Means Committee approved House File 282, which would result in a local property tax increase up to \$55 million.

Currently, state law allows local school boards to approve and levy property taxes for the Dropout Prevention Program. House File 282 increases the percentage of students identified for the Dropout Prevention Program from 5% to 7%. Because of the way Iowa funds education, this legislation means more funding for this program from property taxes will be necessary.

House File 282 was approved by the committee on a party-line vote with 14 Democrats voting in favor, and 10 Republicans voting in opposition. The measure will likely be debated in the House in the next few weeks.

It is unlikely this bill will be the only property tax increase considered in the Legislature this year. Governor Culver has recommended cutting the Homestead Property Tax Credit from \$99.3 million to \$49.4 million. The Homestead Property Tax Credit was created in 1937 to provide property tax relief and to encourage homeownership.

The Governor also recommended capping the state-funded portion of school aid, which has the potential to shift as much as \$40 million to private, commercial, and agricultural property taxpayers.

Iowans for Tax Relief OPPOSES increasing property taxes as a way for the Governor and the Legislature to balance the state budget and OPPOSES efforts to increase the tax burden on Iowans.

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The Watchdog is a weekly update of issues which are being considered by the Iowa Legislature.  
It is a service to members of Iowans for Tax Relief. Permission is granted to forward this to any interested individuals.

Comments or questions concerning The Watchdog should be directed to:  
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